

MARKETBEAT
Sacramento
 Investment Q4 2018



SACRAMENTO INVESTMENT

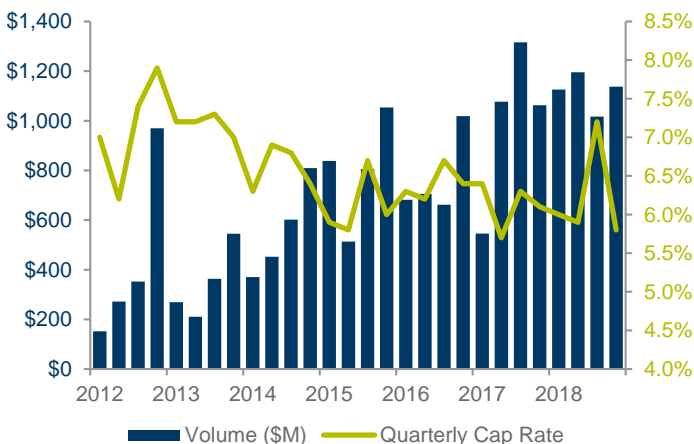
Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Sacramento MSA Employment	979.6k	992.0k	▲
Sacramento MSA Unemployment	4.1%	3.7%	▼
U.S. Unemployment	4.1%	3.9%	▼
U.S. GDP	3.2%	3.4%	▲
U.S. 10-year Treasury	3.1%	2.7%	▲

Market Indicators

	Q4 17	Q4 18	12-Month Forecast
Overall Cap Rate	7.1%	5.8%	▲
Total Volume (USD)	\$1.06B	\$1.14B	▼
Total Properties	76	89	▼
Total SF (Excluding Multifamily)	5.0M	4.2M	▼
Total Units (Multifamily)	2,684	2,922	▼

Total Dollar Volume and Cap Rate Trend
 (Dollar Volume in Millions)



Economy

Sacramento's economy remains robust with signs of growth across all major economic sectors. The market is near full-employment, with the unemployment rates at only 3.7%, leaving little room for further decline. Strong demand is expected to remain for both housing and highly skilled talent as new employers like Centene and Penumbra anticipate entering the market in the near future.

Market Overview

Sacramento continues to draw significant interest from investors looking to capitalize on the burgeoning local economy. Investment activity reached \$1.14 billion during the fourth quarter of 2018, the seventh consecutive quarter surpassing \$1.0 billion. This represents a quarter-over-quarter increase of \$120 million, bringing the 2018 total to \$4.48 billion, the highest amount since 2000. Multifamily properties accounted for the majority of activity with 53.1% of total sales volume, continuing the product's popularity among investors. Industrial product was also very popular during the period, responsible for 17.9% of quarterly dollar volume. The primary cause for strong showings in these sectors is rapid rent growth within multifamily and industrial markets. Cap rates continued their overall downward trend during the quarter, with the multifamily sector averaging 4.7%, the first sub 5.0% average since the first quarter of 2014. As reflected in data from the latter half of 2018, investment activity was overwhelmingly dominated by the developer/owner user category, representing 80.5% of the total dollar volume in the fourth quarter alone. The biggest mover during the quarter was Fairfield Residential sold a total of five multi-family properties across the Sacramento region.

Outlook

Sacramento continues to draw interest from national investors. Of the 82 properties sold during the quarter, 16 were to companies based outside of California. Cap rates returned to appropriate market levels, led by multifamily product that continues to see rapid rent growth. Industrial buildings are seeing similar rent effects and more investor demand for this product is expected throughout 2019. More broadly, low vacancy rates and sustained lease rate growth have become a market-wide trend and continues to drive rents higher supporting investor demand.

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PROPERTY TYPE	PROPERTIES SOLD	SALES VOLUME (USD)	TOTAL SF / UNITS	PRICE / SF, UNIT	CAP RATE
Office	19	\$173,689,518	931,238	\$176.12	6.6%
Industrial	19	\$203,374,469	2,324,022	\$89.01	#N/A
Retail	22	\$155,605,396	981,376	\$155.73	5.8%
Multifamily	29	\$604,417,740	2,922	\$206,851	4.7%
TOTAL	89	\$1,137,087,124	4,236,636	\$125.73	5.8%

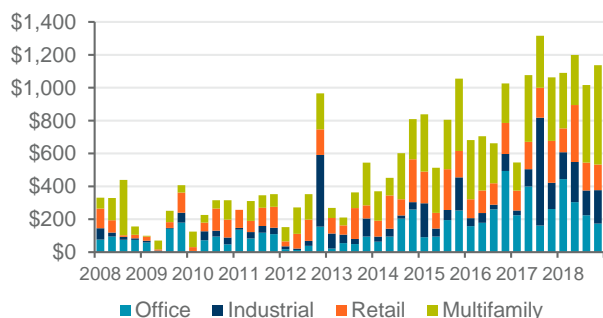
Sources: Real Capital Analytics, Cushman & Wakefield Research Services
 Closed transactions over \$2.5 million
 *SF includes office, industrial and retail. Unit calculation for apartment only.

Significant Sales Q4 2018

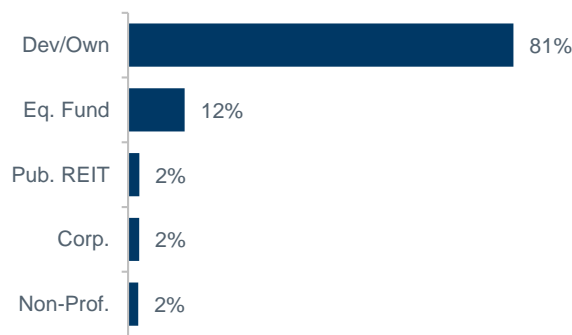
PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF / UNITS	PURCHASE PRICE	PRICE/UNIT (\$ PSF)
Fairfield Residential Portfolio	Apartment	MG Properties	Fairfield Residential	447	\$106,000,000	\$236,484
The U Apartments	Apartment	Tilden Properties	Carmel Partners	132	\$76,000,000	\$575,758
BGK CA Industrial Portfolio	Industrial	The Blackstone Group	INNOVA Development	904,305	\$71,550,500	\$79.00
Somerfield at Lakeside	Apartment	Gleiberman Investments	Fairfield Residential	280	\$64,000,000	\$228,571
Bella Vista Apartments	Apartment	MG Properties	Fairfield Residential	241	\$59,000,000	\$244,813
Bridgeway Square	Apartment	Oakmont Properties	AG Spanos	199	\$57,500,000	\$288,945
Atwood	Apartment	MG Properties	Fairfield Residential	206	\$47,000,000	\$225,155
Oakmont Properties Portfolio	Apartment	Benedict Canyon Equities	Oakmont Properties	220	\$47,000,000	\$213,616.00
8670 Younger Creek Dr, Sacramento	Industrial	The Blackstone Group	INNOVA Development	584,820	\$49,959,000	\$80.00

Sources: Real Capital Analytics, Cushman & Wakefield Research Services
 *Approximate allocation based on purchase price

Total Dollar Volume by Property Type
 (Dollar Volume in Millions)



Total Acquisitions by Capital Sector



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